



***I-BANK ANNOUNCES
CALIFORNIA RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS
POOL FINANCE PROGRAM***

You are invited to participate in the *California Recovery Zone Economic Development Bonds Pool Finance Program* providing California cities and counties the opportunity to take advantage of a new type of financing vehicle authorized by recently enacted federal stimulus legislation, the American Recovery and Reinvestment Act.

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("Recovery Act") which created several attractive financing tools that could be extremely valuable for the economic revitalization of California counties and cities.

The I-Bank, the State's issuer of bonds for the purpose of funding local government projects, is inviting you and other eligible cities and counties to participate in the ***California Recovery Zone Economic Development Bonds Pool Finance Program***.

The I-Bank is focusing on the Recovery Zone ED Bonds at this time because these bonds can only be issued through the end of 2010, so action must be taken quickly to take advantage of this newly created, innovative financing tool.

Recovery Zone ED Bonds can subsidize the funding of certain kinds of projects (as described in the attached Fact Sheet). Cities and counties are allocated specific dollar amounts of taxable bonds they can issue under the program and receive a direct federal cash subsidy payment equal to 45% of the interest cost. This subsidy could materially exceed the benefit of tax-exempt interest on conventional bonds in most instances. In addition, the market for taxable bonds is much broader than the market for tax-exempt bonds.

However, the taxable market prefers larger bond issues and different structural conditions than the tax-exempt market with which government issuers are more familiar. This is why the I-Bank is inviting your participation in the ***California Recovery Zone Economic Development Bonds Pool Finance Program*** to gain the maximum benefits of Recovery Zone ED Bonds by:

- a) accessing the taxable market in a cost effective manner;
- b) lowering interest costs;
- c) delivering project directed bond proceeds quickly;
- d) tapping State mechanisms to provide viability in the marketplace; and
- d) lowering administrative costs and burdens to the participating cities and counties over the life of the financing.

Attached are a Fact Sheet providing a brief description of Recovery Zone ED Bonds and a Preliminary Term Sheet.

If you or your colleagues are interested in participating in the California Recovery Zone Economic Development Bonds Pool Finance Program, please e-mail IBank@ibank.ca.gov, call us at (916) 322-1399 or visit our web site. An I-Bank representative will contact you to obtain project details and help determine feasibility.